# EXHIBIT 26

The New York Times



August 18, 2007

# The Fed's Sudden Action Eases a Logjam in Corporate Borrowing

By ERIC DASH

The Federal Reserve Board's move yesterday to stabilize the credit markets helped to ease the pressure on a mundane but crucial part of the financial markets: short-term lending to corporations.

Borrowing of money short-term — called issuing commercial paper — seized up this week as investors became nervous at the prospect that many of those notes were backed by mortgages that no longer have ready buyers.

"The commercial paper market is the eye of the storm," said Ed Devlin, a portfolio manager at Pimco, the big fixed-income investment firm. "The reason the Fed is concerned is that there is a real collateral squeeze and issues around funding."

Until recently, the $2.2 trillion commercial paper market was considered one of the safest places on Wall Street. But over the last few days, many investors have been navigating it like the airport highway in Baghdad.

Yesterday, some of the concerns began to ease. Commercial paper traders called the last week the worst in their career since the 1998 financial crisis that brought down the hedge fund Long-Term Capital Management.

The market is a little-noticed but vital part of the world's financial infrastructure. And all week, it seemed that one financial bomb after another was exploding.

The rating agency, Standard & Poor's, warned that it might downgrade a handful of lenders and hedge fund issuers, and Moody's sharply cut the ratings of nearly 700 subprime mortgage bonds. Countrywide Financial, the mortgage lender, could not sell its notes, leading it to obtain emergency bank financing.

In Canada, two groups of big banks preliminarily agreed to provide $120 billion, in United States dollars, in financing to companies there, amid a global pullback. Even the notes of

seemingly healthy companies were priced at higher rates — and had trouble selling.

Commercial paper, essentially a promise to repay a loan within a few weeks to nine months, has served as a major pipeline for corporate financing. Mortgage lenders use the short-term notes to fund their loans before packaging and offloading them from their books.

Hedge funds created special investment vehicles, which purchased the short-term notes to invest in higher-yielding loans — often mortgage bonds — and then used the difference to bolster their returns. And many corporations used commercial paper to finance big share-buyback programs.

Investors in money market funds have found commercial paper a convenient place to park their cash. While some big money market funds may improve their returns if they can invest at the current rates, others may be worse off. But most ordinary investors, bankers and analysts say, should not see much of an impact.

"Investment managers and portfolio managers who deal with hundreds of millions of dollars are very concerned, but the average investor should not be worried," said Peter Crane, the publisher of Money Fund Intelligence, an industry newsletter. He said there was almost "zero chance" that a money market fund would decline significantly in value.

While the turbulence of the commercial paper market peaked on Thursday, it was still not fully stabilized yesterday.

Investors have grown increasingly scared that the high-grade notes are backed by bundles of subprime mortgages. So much so, they do not trust the credit ratings of many short-term notes — including ones that the major agencies deemed high grade.

About $1.2 trillion, or roughly 53 percent of commercial paper, is backed by pools of assets like home mortgages, credit card receivables and car loans. Over all, some analysts suggested, about half is backed by residential mortgages.

But several said that most investors have no idea of their actual subprime exposure in that mix.

Transparency has been poor. And because of high-octane financial engineering, analysts said, the underlying pool of assets may have been rated as high quality but could actually be backed by riskier stuff.

The widespread uncertainty has frozen parts of the commercial paper market and led to days of turbulent trading. As it reverberates, many players in the financial systems are feeling its

effects.

To be sure, many short-term notes are trading — although at record high rates. But as issuers have to come up with cash to roll over, or refinance their notes, they have found themselves unable to do so. That is because the underlying pool of assets is worth considerably less.

On some notes many issuers have invoked so-called extendable options, which lengthen the payback period from, say, 90 days to six months in an effort to wait for extra time for investors to come back. Others have turned to so-called backstop financing — essentially an insurance policy sold by the big banks and brokerage houses that calls for them to provide funding if the underlying assets cannot be sold. Countrywide, for example, tapped its $11.5 billion credit line yesterday after investors were reluctant to buy its commercial paper. The move allowed Countrywide to stave off selling the underlying mortgage assets at deep discounts.

But the total amount of rescue financing has placed tens of billions of dollars at risk for many of the biggest banks. Most charge nominal fees for the guarantee of liquidity, analysts said, and some banks did not properly reserve for the risk since the prospect of default seemed remote.

Citigroup and JPMorgan Chase, for example, have guaranteed more than $90 billion of liquidity, or about 5 or 6 percent of their total assets, according to a recent Banc of America Securities report. State Street, a custody bank, guaranteed about $29 billion, or 23 percent of its total assets.

In all three cases, their actual subprime mortgage exposure is proportionally small. But other analysts suggest that many big European banks may carry a great deal more risk on their balance sheet.

That has ignited fear that the subprime contagion has spread to the global banking system — and, some suggest, caused the Federal Reserve Board to take action yesterday.

"The Fed is concerned because of the banks' exposure. The banks are on the hook for potentially tens of billions of dollars," said Christian Stracke, an analyst at CreditSights, a fixed-income research firm. "That could tighten credit conditions significantly if all that paper is tied up in things that none of the banks want to hold."